

BUDGET LETTER

SUBJECT: GENERAL STATEWIDE SECTIONS	NUMBER: 04-25
REFERENCES: BUDGET ACT OF 2004, (CHAPTER 208, STATUTES OF 2004)	DATE ISSUED: August 25, 2004
	SUPERSEDES: BL 03-27

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

The 2004 Budget Act contains various changes to the General Statewide Sections that may affect a wide range of departments. Sections 4.11, 4.35, 4.60, 5.30, 8.52, 25.25, 25.50, and 33.50 were added to the Budget Act of 2004. Section 4.10 was revised. The new and revised Sections are outlined below. For additional information regarding these Sections, please contact your Department of Finance (Finance) Budget Analyst or the Finance analyst responsible for the Section, as listed at the end of this Budget Letter (BL). BL 04-23 was issued on August 13, 2004, describing the deletion of Section 27.00 and changes to 32.00, and the new deficiency funding process.

SECTION 4.10—GENERAL FUND APPROPRIATION REDUCTIONS

Section 4.10 (a) instructs the Director of Finance to work cooperatively with agency secretaries to reduce one-time \$150 million from General Fund appropriations. These reductions shall not be made from Higher Education, the Judicial Branch, the Legislature, Constitutional Officers, debt service, or augmentations for contingencies or emergencies. A single line item in a state operations appropriation may not be reduced by more than 20 percent and local assistance appropriations may not be reduced by more than 5 percent.

After the initial \$150 million in reductions are achieved, Section 4.10 (e) provides the Director of Finance with the authority to reduce General Fund appropriations by an additional ongoing \$150 million from reversions or savings attributable to any general reorganization plan presented to the Milton Marks "Little Hoover Commission."

SECTION 4.11—ESTABLISHING NEW POSITIONS

Section 4.11 provides that each new position authorized in the 2004-05 Budget Act will be established effective July 1, 2004, unless otherwise approved by Finance. This section has been added to the budget in order to preclude departments from not establishing new positions immediately upon authorization in order to prevent them from being considered "vacant" pursuant to Government Code Section 12439. Government Code Section 12439 provides that any position that has been vacant for 6 consecutive months shall be abolished.

SECTION 4.35—POSITIONS LOANED TO GOVERNOR’S OFFICE

Section 4.35 allows Finance to identify all positions loaned to the Office of the Governor from other departments, transfer those positions to the Governor’s Office, and transfer any General Fund funding authority associated with the positions. Finance is authorized to make the appropriate Special Fund and General Fund adjustments to the budgets of the loaning departments for those positions.

SECTION 4.60—RENTAL RATES

Section 4.60 requires Finance to complete a report by August 1, 2004 that examines the feasibility of assessing a surcharge on State departments allocating overhead costs currently incurred by the Department of General Services. Due to the late enactment of the Budget Act, this report will be submitted at a later date. The report also must include recommendations regarding the use of a portfolio methodology to establish rental rates, including the reallocation of lease revenue debt payments and operations and maintenance costs associated with State buildings. This section also gives the Director of Finance authority to adjust items of appropriation to effectuate the recommendations contained in the report. A future BL will provide instructions for departments to submit the data needed to compile the report.

SECTION 5.30—AUGMENTATIONS TO DEPARTMENTS FOR RATE INCREASES FOR ATTORNEY SERVICES PROVIDED BY THE DEPARTMENT OF JUSTICE

Section 5.30 allows Finance to augment, as necessary, special fund or nongovernmental cost fund appropriations to any state agency, board, commission, or other entity of State government for the purpose of covering paralegal and attorney rate increases for the 2004-05 fiscal year. Augmentations approved by the Director of Finance shall be made not sooner than 30 days after notification in writing to the Chairperson of the Joint Legislative Budget Committee.

SECTION 8.52—FEDERAL REIMBURSEMENTS

Section 8.52 authorizes Finance to allocate to departments and adjust appropriations for amounts received from the federal government. These allocations may be used to offset expenditures already incurred or to fund new costs not yet incurred. Allocations made pursuant to this section may not be authorized sooner than 30 days after notification to the Joint Legislative Budget Committee.

SECTION 25.25—HUMAN RESOURCE MANAGEMENT SYSTEM-21ST CENTURY PROJECT

Section 25.25 authorizes the State Controller to assess various special and non-governmental cost funds quarterly for a portion of the costs to replace the existing employment history, payroll, leave accounting, and position control systems in 2004-05. This Section appropriates up to \$2.520 million to the State Controller in 2004-05 for this purpose. Actual assessments may not exceed the total project costs incurred by the Controller in 2004-05.

SECTION 25.50—STATE CONTROLLER APPORTIONMENT PAYMENT SYSTEM ASSESSMENTS

Section 25.50 authorizes the Controller to assess seven special funds monthly for the costs of replacing the existing Apportionment Payment System. The funds, which will be assessed for the project costs, apportion over \$10 million to local governments annually. The Section appropriates up to \$579 thousand to the State Controller in 2004-05 for this purpose. Actual assessments may not exceed the total project costs incurred by the Controller in 2004-05.

SECTION 33.50—STRATEGIC SOURCING

Section 33.50 allows the Director of Finance to reduce amounts in items of appropriation to the extent that savings are achieved through strategic sourcing procurement reform. Prior to the implementation of reductions, a report detailing the projected savings must be provided to the Legislature.

If you have any questions regarding these sections, please call the following Finance staff:

- Section 4.10 (a) – Oscar Chaves – (916) 445-5332
- Section 4.10 (e) – Judy Day – (916) 445-1932
- Section 4.11 – Tim Lynn – (916) 445-3274
- Section 4.35 – Marcia Caballin – (916) 445-8913
- Section 4.60 – Jennifer Osborn – (916) 445-8913
- Section 5.30 – Marcia Caballin – (916) 445-8913
- Section 8.52 – Lajunta Inman – (916) 445-5332
- Section 25.25 – Oscar Chaves – (916) 445-5332
- Section 25.50 – Oscar Chaves – (916) 445-5332
- Section 33.50 – Jennifer Osborn – (916) 445-8913

/s/ Veronica Chung-Ng

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